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SUBJECT: Secretary Abraham's 8/13 Meeting with Dutch
Economics (Energy) Minister Brinkhorst

Summary

1. (U) Secretary of Energy Spencer Abraham met with Dutch Economics (also energy and telecommunications) Minister Laurens Jan Brinkhorst on August 13 in The Hague. In response to a question from Brinkhorst, the Secretary described the factors that led to the California electricity shortages - explaining that there was no link between lack of supply and deregulation. Brinkhorst was gratified that the first U.S. bilateral agreement on installing radiological monitors at a megaport was with Rotterdam (septel) but suggested that the U.S. may now want to engage the European Commission on making a broader agreement with the EU rather than further bilateral agreements with EU member states. The Secretary and Minister agreed to explore opportunities for U.S.-Dutch collaborative research on carbon-emission reducing technologies. The Secretary expressed the U.S.'s deep concern over Iran's nuclear program. The Minister urged that the U.S. ensure a "level playing field" for energy companies in Iraq - specifically for Royal Dutch/Shell. The Secretary expressed interest in participating in the May 2004 International Energy Forum, which will be hosted by the Netherlands. End summary.

Energy Deregulation

2. (U) Minister Brinkhorst told the Secretary that California is always raised in Europe as the example of why energy deregulation is a bad idea. He supports deregulation himself and asked what happened in California. The Secretary explained that California's electricity

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shortfalls resulted from a series of factors unrelated to deregulation: inadequate transmission lines from north to south California, below average precipitation in the US northwest, political factors which obstructed construction of new power plants, a prohibition on long-term power purchases, and a half-way deregulation which freed wholesale prices while maintaining caps on retail prices. He said that not only Europeans, but other U.S. states have examined the California example. He recommended that the Minister look at much more successful examples of electricity deregulation, in Pennsylvania and Texas, for example. Amb. Sobel offered to provide information on Pennsylvania to Minister Brinkhorst.

3. (U) Brinkhorst said that the Secretary's description of strong local autonomy in the energy sector in the U.S. also applies to Europe. Not only the EU member states, but regions within the member states prefer to run their own "energy fiefdoms," making a cohesive European electricity strategy very difficult.

Radiological Monitors at Rotterdam

4. (U) Minister Brinkhorst lauded the U.S.-Netherlands bilateral agreement (which the Secretary signed during his trip to the Netherlands, septel) to install radiological monitors at Rotterdam, but wondered whether it wouldn't be better to negotiate further agreements with the European Commission. He suggested that, as the trailblazer, the Dutch government might be able to help facilitate talks with the Commission - particularly with Commissioner De Palacio. The Secretary noted his many meetings with EU Commissioner. De Palacio. He and the Ambassador replied that the U.S. is open to speaking with anyone and every one if the effect would be to speed implementation of radiological monitoring.

5. (U) Comment: Laurens Jan Brinkhorst worked for a long time in the European Commission, finishing his career there as Director-General in the Environmental Directorate. He is more predisposed towards deferring to the Commission than other Dutch Ministers. End Comment

Research Collaboration

6. (U) Brinkhorst said, that as someone who worked

directly on the Kyoto negotiations, he regretted the failure of the U.S. to sign the agreement, but added that "that is water under the bridge." He said the point now is to discuss mutual efforts to reduce carbon emissions. The Secretary described U.S. policy in detail, and pointed out

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the ambitious Bush Administration program to reduce carbon intensity and eventually to reduce emissions

17. (U) When the Secretary described the importance of advanced technologies in reducing carbon emissions, the Minister said that the Dutch government completely agrees. Even while reducing government spending in almost all areas, the research and development budget for energy technologies will be increased. He suggested that should the Secretary be able to come to the Netherlands for the May 2004 International Energy Forum, they spend time further discussing energy research. The Secretary and Minister agreed to have Department and Ministry officials talk in the meantime about possible collaboration.

Other topics

18. (U) The Secretary told the Minister that he could not let the meeting end without highlighting deep concern over issues regarding Iran, in particular Iran's nuclear program. The Minister took note and said, for his part, he similarly needed to raise Dutch government interest in urging the U.S. to ensure a "level playing field" for energy company operations in Iraq. He noted that Royal Dutch/Shell "is as much an American as a European company," and understands that Shell is interested in applying its regional expertise in Iraq. The Secretary replied that the U.S. is committed to letting Iraq make its own decisions about its resources.

19. (U) In a brief discussion of potential drilling in the Dutch Waddensee (a major environmental dispute in the Netherlands), Brinkhorst said that he wants the issue to be resolved quickly and in favor of beginning horizontal drilling. The new government's attitude is that the focus should be on how to maintain the sea bottom level and mussel fields, not on whether drilling should proceed.

Sobel